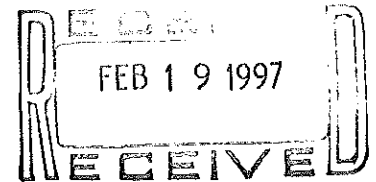


DIRECT TESTIMONY
OF
RONALD R. PENNY



1 Q. Please state your name, address, and position with Carolina Power & Light
2 Company.

3 A. My name is Ronald R. Penny and my business address is 411 Fayetteville Street
4 Mall, Raleigh, North Carolina. My position is Manager - Rate Support.

5 Q. Please describe your educational background and professional experience.

6 A. I obtained a Bachelor of Science Degree in Electrical Engineering from North
7 Carolina State University and then joined the Company's Rates and Service
8 Practices Department as a Research Analyst in 1975. Since that time, I have held
9 various positions in the Rates and Engineering departments. I was appointed to my
10 current position in 1995. While working in the Rates and Energy Services
11 Department, I have been involved in numerous rate proceedings. I have sponsored
12 testimony in at least five such cases before the Federal Energy Regulatory
13 Commission.

14 Q. Have you previously presented testimony before this Commission?

15 A. Yes, I have. I testified in the Company's most recent fuel case in Docket No. 96-
16 001-E. I have also sponsored fuel testimony before the North Carolina Utilities

1 Commission.

2 Q. What is the purpose of your testimony?

3 A. The purpose of my testimony is to review the Company's fuel cost and revenue
4 collection for the period January 1996 through December 1996. In addition, I will
5 recommend a fuel factor for use during the April 1, 1997 through March 31, 1998
6 period.

7 Q. Is this the first fuel case CP&L has filed since the new fuel statute was approved
8 by the South Carolina Legislature?

9 A. Yes it is. Our last fuel case was Docket No. 96-001-E and the hearing was held
10 during the spring of 1996. The Commission delayed our hearing originally
11 scheduled for last fall until this spring. This is the reason that both our historical
12 and projected periods each cover one full year which aligns with the provisions of
13 the new statute requiring 12-month reviews of a utility's fuel cost.

14 Q. Please explain Penny Exhibit No. 1.

15 A. Penny Exhibit No. 1 is a summary of CP&L's actual system fuel cost and kilowatt-
16 hour sales experienced during the period January 1996 through December 1996.
17 The exhibit first itemizes fossil fuel costs by type of generation resource -- coal,
18 oil, or gas -- and indicates the type of generating unit which consumed the fuel.
19 The total fossil fuel expense is shown on line 9.

20 The fossil fuel expense is added to the nuclear fuel expense shown on
21 line 10 and the net purchased power expense shown on line 13 to provide the total

1 system fuel expense as shown on line 14. Line 15 is a summary of net system
2 kilowatt-hour sales associated with the incurred fuel expense. Line 16 indicates the
3 system cost of fuel per kilowatt-hour sold each month.

4 Q. How did the fuel revenue billings compare to the actual fuel costs incurred during
5 the historical period January 1996 through December 1996?

6 A. Penny Exhibit No. 2 is a monthly comparison of the revenues billed South Carolina
7 customers through the base fuel component of our approved general rates to the
8 actual fuel costs attributable to those sales. Lines 8 and 16 represent the
9 cumulative recovery of our fuel expense during this 12-month period. Through
10 December 1996, the Company was \$87.6 thousand over recovered in fuel expense
11 as shown on line 16.

12 Q. Please explain Penny Exhibit No. 3.

13 A. Penny Exhibit No. 3 demonstrates the calculation of a base fuel component of
14 1.122¢/kWh for the 12-month period April 1997 through March 1998 consisting
15 of a component for recovery of projected fuel expense for this period and a
16 component to refund the projected over recovery at March 1997. This calculation
17 is performed in accordance with the fuel statute which requires the Company to
18 submit this information to the Commission.

19 Q. What factor are you recommending to the Commission for adoption in this
20 proceeding?

21 A. I am asking this Commission to adopt the fuel factor of 1.122 ¢/kWh for the next

1 12-month period.

2 Q. Please explain Penny Exhibit No. 4.

3 A. Penny Exhibit No. 4 is a continuation of my Exhibit No. 2 showing projected costs
4 and revenues, by month, for the period January 1997 through March 1998. The
5 1.340¢/kWh revenue factor continues through March 1997 and our new fuel factor
6 of 1.122¢/kWh is used for the April 1997 - March 1998 projected period. My
7 projection shows an over recovery of \$3.9 million at March 1997 and an under
8 recovery of \$56.9 thousand at March 1998.

9 Q. Does that conclude your testimony?

10 A. Yes, it does.

EX1P1

CAROLINA POWER & LIGHT COMPANY
SYSTEM FUEL COST
SOUTH CAROLINA RETAIL FUEL ADJUSTMENT
SIX MONTHS ENDED JUNE, 1996

	1996 JANUARY	1996 FEBRUARY	1996 MARCH	1996 APRIL	1996 MAY	1996 JUNE
STEAM ELECTRIC (ISSUED FROM ACCT 151)						
1 COAL	\$41,133,953.23	\$38,936,920.97	\$42,701,081.60	\$21,597,797.70	\$25,169,859.27	\$33,640,993.50
2 OIL	\$263,966.16	\$303,581.63	\$194,395.98	\$235,205.62	\$252,548.25	\$409,121.87
3 NATURAL GAS	0	0	0	0	0	0
4 TOTAL STEAM ELECTRIC	\$41,397,919.39	\$39,240,502.60	\$42,895,477.58	\$21,833,003.32	\$25,422,407.52	\$34,050,115.37
1. C. TURBINES (ISSUED FROM ACCT 151)						
5 OIL	\$55,865.34	\$1,133,556.16	\$249,937.15	\$2,718.39	\$242,771.48	\$50,929.85
6 NATURAL GAS	(\$16.78)	\$933.36	\$714.37	\$639.52	\$211,502.72	\$576,578.94
7 PROPANE GAS	\$812.83	\$667.81	\$719.93	\$556.85	\$1,021.05	\$373.23
8 TOTAL I. C. TURBINES	\$56,661.39	\$1,135,157.33	\$251,371.45	\$3,914.76	\$455,295.25	\$627,882.02
9 TOTAL FOSSIL FUEL	\$41,454,580.78	\$40,375,659.93	\$43,146,849.03	\$21,836,918.08	\$25,877,702.77	\$34,677,997.39
10 NUCLEAR FUEL	\$8,205,888.00	\$6,896,284.29	\$7,036,126.99	\$8,868,719.28	\$9,296,969.60	\$9,081,854.63
11 PURCHASED POWER: PURCHASES	\$15,892,029.81	\$17,374,707.60	\$15,554,207.13	\$12,201,404.50	\$17,458,336.58	\$19,528,927.14
12 SALES	(\$11,616,231.19)	(\$12,589,778.54)	(\$11,904,854.69)	(\$7,402,237.83)	(\$9,285,521.53)	(\$8,573,003.79)
13 NET	\$4,275,798.62	\$4,784,929.06	\$3,649,352.44	\$4,799,166.67	\$8,172,815.05	\$10,955,923.35
14 TOTAL FUEL COST	\$53,936,267.40	\$52,056,873.28	\$53,832,328.46	\$35,504,804.03	\$43,347,487.42	\$54,715,775.37
15 TOTAL KWH SALES	4,038,394,500	3,950,007,000	3,458,639,100	3,335,853,400	3,260,808,900	3,777,012,100
16 COST PER KWH	\$0.01336	\$0.01318	\$0.01556	\$0.01064	\$0.01329	\$0.01449

EX1P2

CAROLINA POWER & LIGHT COMPANY

SYSTEM FUEL COST
SOUTH CAROLINA RETAIL FUEL ADJUSTMENT
SIX MONTHS ENDED DECEMBER, 1996

	1996 JULY	1996 AUGUST	1996 SEPTEMBER	1996 OCTOBER	1996 NOVEMBER	1996 DECEMBER
STEAM ELECTRIC (ISSUED FROM ACCT 151)						
1 COAL	\$45,811,234.18	\$41,187,675.44	\$34,990,437.97	\$36,257,076.69	\$33,028,810.10	\$30,463,701.07
2 OIL	\$294,352.57	\$185,112.67	\$314,980.71	\$187,766.27	\$207,183.33	\$351,618.78
3 NATURAL GAS	0	0	0	0	0	0
4 TOTAL STEAM ELECTRIC	\$46,105,586.75	\$41,372,788.11	\$35,305,418.68	\$36,444,842.96	\$33,235,993.43	\$30,815,319.85
I. C. TURBINES (ISSUED FROM ACCT 151)						
5 OIL	\$581,332.95	\$53,718.69	\$475,668.66	\$33,595.10	\$238,290.48	\$934,826.31
6 NATURAL GAS	\$783,933.04	\$106,089.79	\$145,321.46	\$22,805.49	\$52,935.12	\$40,696.07
7 PROPANE GAS	\$339.79	\$340.54	\$426.00	\$457.10	\$497.82	\$1,260.90
8 TOTAL I. C. TURBINES	\$1,365,605.78	\$160,149.02	\$621,416.12	\$56,857.69	\$291,723.42	\$976,783.28
9 TOTAL FOSSIL FUEL	\$47,471,192.53	\$41,532,937.13	\$35,926,834.80	\$36,501,700.65	\$33,527,716.85	\$31,792,103.13
10 NUCLEAR FUEL	\$8,106,150.40	\$9,353,131.72	\$5,721,412.27	\$6,251,547.90	\$8,807,799.05	\$8,851,518.82
11 PURCHASED POWER: PURCHASES	\$22,981,088.15	\$15,471,169.86	\$14,532,977.35	\$11,804,277.44	\$9,477,725.46	\$10,252,731.13
12 SALES	(\$12,705,774.73)	(\$12,895,448.11)	(\$7,372,683.74)	(\$8,321,601.70)	(\$9,714,846.17)	(\$7,630,173.15)
13 NET	\$10,275,313.42	\$2,575,721.75	\$7,160,293.61	\$3,482,675.74	(\$237,120.71)	\$2,622,557.98
14 TOTAL FUEL COST	\$65,852,656.35	\$53,461,790.60	\$48,808,540.68	\$46,235,924.29	\$42,098,395.19	\$43,266,179.93
15 TOTAL KWH SALES	4,142,238,800	4,131,121,800	3,795,886,800	3,135,565,100	3,329,509,900	3,761,465,600
16 COST PER KWH	\$0.01590	\$0.01294	\$0.01286	\$0.01475	\$0.01264	\$0.01150

CAROLINA POWER & LIGHT CO.

SOUTH CAROLINA RETAIL

COMPARISON OF ACTUAL FUEL REVENUES AND EXPENSES
January 1996 - December 1996

EX2P1

	1996 JANUARY	1996 FEBRUARY	1996 MARCH	1996 APRIL	1996 MAY	1996 JUNE
1 ACTUAL SC RETAIL SALES (KWH)	595,227,158	585,008,578	502,580,946	513,314,984	519,762,313	582,940,126
2 ACTUAL FUEL COST	0.01336	0.01318	0.01556	0.01064	0.01329	0.01449
3 FUEL BASE	0.01340	0.01340	0.01340	0.01340	0.01340	0.01340
4 REVENUE REQUIRED	7,952,235	7,710,387	7,820,180	5,461,671	6,907,641	8,446,802
5 REVENUE BILLED	7,976,044	7,839,088	6,734,585	6,878,421	6,964,815	7,811,398
6 OVER (UNDER) RECOVERY	23,809	128,701	(1,085,575)	1,416,750	57,174	(635,405)
7 ACCOUNTING ADJUSTMENT		32,484				
8 CUMULATIVE RECOVERY	\$347,474	\$508,659	(\$576,916)	\$839,834	\$897,008	\$261,603
	1996 JULY	1996 AUGUST	1996 SEPTEMBER	1996 OCTOBER	1996 NOVEMBER	1996 DECEMBER
9 ACTUAL SALES (KWH)	613,288,427	650,683,660	591,575,589	522,962,285	513,770,766	555,787,721
10 ACTUAL FUEL COST	0.01590	0.01294	0.01266	0.01475	0.01264	0.01150
11 FUEL BASE	0.01340	0.01340	0.01340	0.01340	0.01340	0.01340
12 REVENUE REQUIRED	9,751,286	8,419,847	7,607,662	7,713,694	6,494,062	6,391,559
13 REVENUE BILLED	8,218,065	8,719,161	7,927,113	7,007,695	6,884,528	7,447,555
14 OVER (UNDER) RECOVERY	(1,533,221)	299,314	319,451	(705,999)	390,466	1,055,996
15 ACCOUNTING ADJUSTMENT						
16 CUMULATIVE RECOVERY	(\$1,271,618)	(\$972,304)	(\$652,853)	(\$1,358,852)	(\$968,386)	\$87,610

CAROLINA POWER AND LIGHT
SOUTH CAROLINA RETAIL
CALCULATION FOR BASE FUEL COMPONENT
February 1997

1. Projected Expense from April, 1997 through March, 1998

Cost of Fuel	\$540,186,476
System Sales	45,842,445 Mwhts
Average Cost Per KWH	1.178 cents

2. Projected Revenue Difference through March, 1997

Over-Recovery	\$3,940,045
Projected S.C. Retail Sales	7,034,122 Mwhts
Average Cost Per KWH	0.056 cents

3. Base Fuel Cost Per KWH - Projected Period

Projected Expense	1.178 cents
Revenue Difference	-0.056 cents

Base Fuel Component	1.122 cents

EX4P1

CAROLINA POWER & LIGHT CO.

SOUTH CAROLINA RETAIL

COMPARISON OF PROJECTED FUEL REVENUES AND EXPENSES

	1997 JANUARY	1997 FEBRUARY	1997 MARCH	1997 APRIL	1997 MAY	1997 JUNE	1997 JULY	1997 AUGUST	1997 SEPTEMBER
1 ESTIMATED SC RETAIL SALES (KWH)	605,943,000	582,103,000	569,134,000	494,107,000	524,152,000	587,008,000	652,184,000	654,817,000	664,016,000
2 ESTIMATED FUEL COST	0.01267	0.01113	0.00973	0.01049	0.01214	0.01372	0.01553	0.01387	0.01010
3 FUEL BASE	0.01340	0.01340	0.01340	0.01122	0.01122	0.01122	0.01122	0.01122	0.01122
4 REVENUE REQUIRED	7,677,298	6,478,806	5,597,674	5,183,182	6,363,205	8,053,750	10,128,418	9,082,312	6,706,562
5 REVENUE BILLED	8,119,636	7,800,180	7,626,396	5,543,881	5,880,985	6,586,230	7,317,504	7,347,047	7,450,260
6 OVER (UNDER) RECOVERY	442,338	1,321,374	2,088,722	360,699	(482,220)	(1,467,520)	(2,810,914)	(1,735,265)	743,698
7 CUMULATIVE RECOVERY	\$529,949	\$1,851,323	\$3,940,045	\$4,300,744	\$3,818,524	\$2,351,004	(\$459,910)	(\$2,195,175)	(\$1,451,477)

	1997 OCTOBER	1997 NOVEMBER	1997 DECEMBER	1998 JANUARY	1998 FEBRUARY	1998 MARCH
1 ESTIMATED SALES (KWH)	542,427,000	533,258,000	576,210,000	622,907,000	598,304,000	584,732,000
2 ESTIMATED FUEL COST	0.01019	0.00948	0.01098	0.01217	0.01087	0.01096
3 FUEL BASE	0.01122	0.01122	0.01122	0.01122	0.01122	0.01122
4 REVENUE REQUIRED	5,527,331	5,055,286	6,326,786	7,580,778	6,503,564	6,408,663
5 REVENUE BILLED	6,086,031	5,983,155	6,465,076	6,989,017	6,712,971	6,560,693
6 OVER (UNDER) RECOVERY	558,700	927,869	138,290	(591,761)	209,407	152,030
7 CUMULATIVE RECOVERY	(\$892,777)	\$35,092	\$173,382	(\$418,379)	(\$208,972)	(\$56,942)